

Testifier names: Beth Mattingly, Federal Reserve Bank of Boston and Sarah Savage, Federal Reserve Bank of Boston

Email: [Beth.Mattingly@bos.frb.org](mailto:Beth.Mattingly@bos.frb.org); [Sarah.Savage@bos.frb.org](mailto:Sarah.Savage@bos.frb.org)

Thank you for the opportunity to provide testimony on the research that links infant and toddler care to broader economic issues. My name is Beth Mattingly, and I am an Assistant Vice President at the Federal Reserve Bank of Boston. My colleague, Sarah Savage, a senior policy analyst and policy advisor at the Boston Fed, and I prepared this information for your consideration. The views expressed in this testimony are our own and not necessarily those of the Federal Reserve Bank of Boston the Federal Reserve System, or its Board of Governors.

We recognize that infant and toddler care is the most expensive care for providers to offer and for parents to access. Yet this care is an important economic issue. Its primary purpose is to provide care for young children so that parents can work. This stands in contrast to early education for preschool-age children, who may be attending for socialization, developmental, and educational purposes; to enable parental work; or a combination thereof. Yet it is critical that infant and toddler care be developmentally appropriate and meet health and safety standards to avoid harmful outcomes for both children and their parents, for whom care disruptions are costly.<sup>1</sup> Further, absent quality standards, parents may be reluctant to leave their young children and may suffer labor force consequences. Important components of quality include low child to staff ratios and small class sizes.<sup>2</sup> Licensing mandates these components in Connecticut where there must be one staff person assigned to no more than four children ages six weeks to 36 months,<sup>3</sup> but this may inadvertently discourage a plentiful supply of infant and toddler care. Low ratios mean more teachers are needed. This is challenging as personnel represents the largest share of provider expenses, representing 70-80 percent of their budget, on average.<sup>4</sup> This constrains providers' ability to pay livable wages to child care workers, often resulting in relatively high turnover;<sup>5</sup> and typically requires passing on these high costs to parents, who pay the highest tuition for infant care followed by toddler care. The national average monthly cost for full-time center-based infant care is \$1,228 compared to \$762 for preschoolers,<sup>6</sup> and in Connecticut, these costs are even higher.<sup>7</sup> These high costs prevail even when providers pay workers less, or spread costs among older classrooms, thus they are not always charging the true cost of quality.<sup>8</sup>

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<sup>1</sup> Belfield, C. R. (2018, September). The economic impacts of insufficient child care on working families.

<sup>2</sup> Office of Child Care. (2013, May). Child-staff ratios and maximum group size requirements in 2011. U.S. Department of Health and Human Services, Administration for Children and Families.

<sup>3</sup> Connecticut Office of Early Child Care. (2019). State of Connecticut Office of Early Childhood Division of Licensing, Statutes and Regulations: Child Care Centers and Group Child Care Homes.

<sup>4</sup> Early Childhood National Centers. (2018). Guidance on Estimating and Reporting the Costs of Child Care. January.

<sup>5</sup> Totenhagen, C. J., Hawkins, S. A., Casper, D. M., Bosch, L. A., Hawkey, K. R., & L. M. Borden. (2016). Retaining Early Childhood Education Workers: A Review of the Empirical Literature. Family Social Science. Pp. 585-599. V. 30.

<sup>6</sup> Workman, S. (2018, February 14). Where does your child care dollar go? Understanding the true cost of quality early childhood education. Center for American Progress.

<sup>7</sup> Child Care Aware. (2020). Connecticut State Fact Sheet. <https://www.childcareaware.org/our-issues/research/ccdc/state/ct/?msclkid=88fc9acc9911ec878361a922c8384d>.

<sup>8</sup> Grunewald, R., & L. Stepick. (2022). What Drives the Cost of High-Quality Early Care and Education? Federal Reserve Bank of Minneapolis.

This is not just a matter of waiting for infants and toddlers to age into public preschool programs if available, or into the K-12 system. Their family's economic security and their communities are more likely to thrive when they have access to quality care:

- Workforce participation is significantly higher in places with considerably more infant/toddler care.<sup>9</sup>
- The top ten states with the highest maternal labor force participation rates in 2019 had a 17 percent higher share of children ages 0-4 in paid care on average than the ten states with the lowest participation rates.<sup>10</sup>
- Mothers' participation in the labor force increases with age of child, with the 2020 participation rate of mothers with a child under 1 at 60.3 percent, under 3 at 63.3 percent, under 6 at 65.8 percent and 6 to 17 years of age at 75.4 percent.<sup>11</sup> Cost of child care likely explains at least some of the low rates among mothers of very young children.
- The economic burden of the child care gap – families without access to formal child care facilities – on CT households, businesses, and tax revenues is estimated to range from \$1.26 billion to \$1.92 billion annually.<sup>12</sup>

We interviewed 67 Massachusetts mothers right before COVID, 31 of whom had a child under 2 years of age, to better understand how constraints on providers unfolded in the lives of parents with children under kindergarten-age.<sup>13</sup> We learned about tradeoffs they made and the consequences of more serious tradeoffs, leading to care and work disruptions. These might include leaving the workforce, reducing work or forgoing better opportunities. These dynamics were in place well before COVID and continue to be subject to additional layers of constraints and challenges placed upon providers for whom the child care workforce crisis only seems to be worsening.<sup>14</sup>

This is an addressable challenge, which requires recognizing the unique challenges to providers in delivering this expensive care to our most vulnerable residents for whom we cannot afford to cut corners. Without making the cost of delivering infant and toddler care far lower to providers, we cannot expect to support parents who need this care to work adequately and for their families and communities to thrive economically.

Thank you for the opportunity to share research linking infant and toddler care to parental employment with broader economic impacts. Please feel free to contact us with any questions.

Kind regards,

Beth Mattingly and Sarah Savage, Federal Reserve Bank of Boston

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<sup>9</sup> Jessen-Howard, S., Malik, R., & Falgout, M. K. (2020, August 4). Costly and unavailable: America lacks sufficient child care supply for infants and toddlers. Center for American Progress.

<sup>10</sup> The Conference Board. (2022). The Economic Role of Paid Child Care in the U.S. A Report Series, February 2022.

<sup>11</sup> U.S. Department of Labor. Women's Bureau. Mothers and Families. Retrieved on 3/29/22 from: <https://www.dol.gov/agencies/wb/data/mothers-and-families?msclkid=2e5689a4af7a11eca1b8936f0fe6fe69>.

<sup>12</sup> Wolters, B., Bagley, A., Jerrett, D., & L. Smith. (2021). The Economic Impact of America's Child Care Gap. Bipartisan Policy Center, November.

<sup>13</sup> Savage, S. & W. Robeson. (forthcoming). Child Care Tradeoffs Among Massachusetts Mothers. Federal Reserve Bank of Boston, Issue Brief.

<sup>14</sup> Center for the Study of Child Care Employment. (2022). Child Care Sector Jobs. <https://cscce.berkeley.edu/child-care-sector-jobs-bls-analysis/>.

